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14 May 1963

MEMORANDUM FOR: Director of Central Intelligence

THROUGH : Deputy Director (Intelligence)

SUBJECT : Comments on Cuban Sugar Sales in the
World Market and Possible U. S. Actions

REFERENCE : Memorandum to the Acting Secretary of State
from Mr. Edward Martin (ARA), Subject: Sugar,
Dated 3 May 1963

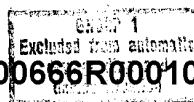
1. This memorandum is in response to your request of today for comments on the referenced memorandum, and your additional questions on Cuban sugar sales.

2. Mr. Martin concluded, in response to the Standing Group's suggestion that, "we figure out some way to diminish the Cuban income from the sale of sugar," that there is no feasible way to do so. Unless the U.S. is willing to curtail its consumption of sugar by cutting back on imports Mr. Martin may be right. However, we do not concur fully with the statement that the Soviets are not holding sugar off the market. We estimate that Soviet sugar stocks are now 1 to 2 million tons above normal, due to past deliveries from Cuba. The Soviets, if they wished, could sell this sugar on world markets. We also believe that, if the U. S. were to make public the information that the Soviets hold large sugar surpluses, this publicity might have a depressing effect on prices on the world's sugar exchanges.

3. With reference to your specific questions on Cuban sugar sales, we have prepared the following notes:

a. A large portion of Cuban sugar that will be exported to the Free World was contracted for in late 1962 at prices substantially below current levels. If Cuba honors these contracts, and does not attempt to resell at present prices, she will receive between \$120 and \$150 million. Sales to the Bloc should range between \$200 to \$230 million. Bloc sales are at 4 cents per pound, which price the Cubans are still required by the Communist Bloc to maintain. This, in spite of the present high world price, Cuba's total exports of sugar in 1963 will probably net between \$320 and \$380 million in contrast to an estimated \$430 million during 1962. However, if the USSR should

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permit greater Cuban sales to the Free World, the Cuban position could be substantially improved. If the Soviets were to permit Cuba to sell on the Free World market a million tons of its commitments to the USSR, than at present prices, a total value of \$220 million would be realized. This amount of convertible exchange would be of great benefit to the Cubans. However, we have no evidence that the Communist Bloc would be willing to accept less than the 2.5 million tons which Cuba apparently will have available to sell to the Bloc from the 1962/63 crop. If the Soviets were to sell a million tons of their surplus sugar on the Free World market at present prices, the \$220 million realized would be about equal to the amount of convertible currency which they have been receiving annually by sales of gold.

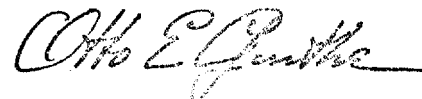
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b. The current "world" sugar price* of about 10 cents per pound is more than 3 times the level of a year ago and the highest in 40 years. Most of this increase has taken place within the last 6 months.

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[REDACTED] and the U. S. Department of Agriculture are in general agreement that the current rise in the world price of sugar is attributable primarily to a tight supply situation rather than to Soviet manipulation of the market.

c. World sugar consumption is expected to exceed total production by about 3 million tons in 1962/63, the first year in which consumption has exceeded production since 1956/57. World sugar consumption has been increasing about 4 percent per year -- two to three million tons annually. On the other hand world sugar production of about 51 million metric tons in both 1961/62 and 1962/63 was about 4 million tons below the peak level achieved in 1960/61. Carry-over stocks of sugar in 47 countries at the beginning of the 1962/63 season were about 19 percent -- almost 2 million tons -- below those of a year earlier.



OTTO E. GUTHE
Assistant Director
Research and Reports

* All sugar prices in this memorandum refer to raw can sugar. The "world" price is for bagged sugar FOB Greater Caribbean ports.

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